

Financial and Capital Improvement Program Guidelines

A. Financial Guidelines (Revised March 1994).

The City of Wichita's financial policies set forth the basic framework for the overall fiscal management of the City. Operating independently of changing circumstances and conditions, the policies assist the decision-making process of the City Council and the management. The financial policies provide guidelines for evaluating both current activities and proposals for future programs.

Most policies represent long-standing principles, traditions, and practices that guide the City and help to maintain its financial stability. They should be reviewed annually.

Operating Budget Policies

1. The City attempts to maintain its present service level for all priority and essential services within existing tax rates, as adjusted for normal growth in the tax base. No new services are added without offsetting expenditure reductions or increases in tax revenues. A phase-in increase to the mill levy to restore the debt service levy to the 1992 level was completed in 1995. Loss of assessed value through the November 1992 classification amendment to the State Constitution required a one-time only mill levy increase (1993 taxes for the 1994 budget).
2. The City maintains a financial and budgetary control system to ensure adherence to the budget and an awareness of the financial environment, preparing quarterly reports to compare actual revenues and expenditures to budgeted amounts, analyzing operating surplus or deficit conditions, and balance sheets on all City funds.
3. The City integrates performance measurement and productivity indicators with the budget.
4. The City attempts to avoid layoffs in all actions to balance the budget. Any personnel reductions are scheduled to come primarily from attrition.
5. The City emphasizes efforts to reduce major cost centers.
6. Airport, Golf, Sewer, Water, and Storm Water enterprise funds are self-supporting.
7. Privatization, volunteerism, incentive programs, public/private partnerships, and other alternatives are used whenever possible to provide services.
8. The City endeavors to mitigate subsidies for the Transit system.
9. Charges for internal services are set at the lowest possible level to maintain essential programs.

Revenue Policies

The City directs efforts to maintaining a diversified and stable revenue system to shelter it from short-run fluctuations in any one revenue source.

1. The City attempts to obtain additional major revenue sources as a way of insuring a balanced budget.
2. The City follows an aggressive revenue collection policy.
3. The City establishes all user charges and fees at a level related to the full cost (operating, direct, indirect, and capital) of providing the service.
4. The City reviews fees/charges annually and designs and modifies revenue systems to include provisions that automatically allow charges to grow at a rate that keeps pace with the cost of providing the service. The City considers market rates and charges levied by other public and private organizations for similar services in establishing tax rates, fees, and charges.

Investment Policies

1. Disbursement, collection, and deposit of all funds are managed to insure maximum cash availability.
2. The City strives to maximize the return on investments consistent with the primary goal of preserving capital in accordance with the City's ordinance and prudent investment practices.

Debt Policies

1. The City confines long-term borrowing primarily to capital improvements.
2. In anticipation of bonding, the City uses short-term debt.
3. The City follows a policy of full disclosure on every financial report and bond prospectus.
4. Revenue bonds are issued when practical for city enterprises to reduce the amount of the City's general obligation debt.
5. The City maintains an aggressive retirement of existing debt over 10 years for city-at-large debt and 15 years for special assessment debt.
6. The City uses general obligation debt to fund general purpose public improvements which cannot be financed from current revenues.
7. The City uses special assessment general obligation debt to fund special benefit district improvements consistent with existing policies.

Reserve Policies

1. The City maintains a revenue reserve to pay for expenses caused by unforeseen emergencies or for shortfalls caused by revenue declines. This reserve is established at no less than 5% and no greater than 10% of annual revenues.
2. The City maintains a contingency expenditure account to provide for unanticipated expenditures of a nonrecurring nature, or to meet unexpected small increases in service delivery costs.
3. Reserves in excess of these amounts in the General Fund shall be used for one-time only expenditures.
4. The City maintains a debt service fund reserve at year end equivalent to 5% of annual revenues of the debt service fund. Any amount in excess of this reserve will be used to reduce capital project fund general purpose expenditures.
5. Adequate levels of working capital shall be maintained in all proprietary funds.

Accounting, Auditing, and Financial Reporting Policies

1. An independent audit is performed annually and completed not later than June 1 of each year.
2. The City produces annual and monthly financial reports in accordance with Generally Accepted Accounting Principles (GAAP) as outlined by the Governmental Accounting Standards Board (GASB).

B. Capital Improvement Program Guidelines (March 1994)

The Capital Improvement Program (CIP) guides new construction and improvements to the City's infrastructure and facilities, ranging from road expansion to repairs on publicly owned buildings to acquisition of new water sources.

The CIP requires a sound operating budget and a solid financial base to allow for debt or cash financing of capital projects. A well prepared operating budget can also assist in raising or maintaining the bond rating of the City. A higher bond rating means that the City pays a lower interest rate for the bonds sold to finance capital projects.

The annual budget process takes into account requirements of funding infrastructure, maintenance, and related operational costs. Since the CIP is primarily funded from property taxes, mill levy changes in the annual operating budget can mean changes in resources available for capital projects.

Revenue Sources and Projections

Development of the CIP has two phases. The first phase is revenue projections. Like revenue projections for the operating budget, trends are studied, and performance assumptions are

generated. From these assumptions, expenditure estimates are developed. Since the CIP is a ten-year plan, revenue projections must be made further into the future than those required for the operating budget.

Existing debt service obligations are considered when estimating the additional amount of debt that can be assumed under the City's policy. After the new debt for proposed projects is calculated and all revenue sources are identified, projects are prioritized and funds are allocated for the ten year planning period. The revenues and debt service expenditures for that part of the CIP financed from property and sales taxes are managed through the Debt Service Fund. Components of revenue funding the CIP are noted below:

1. The mill levy is projected at 10 mills for the ten year CIP period.
2. Sales tax revenue for freeway and road construction is managed through the Sales Tax Trust Fund until the funds are transferred to projects or to the Debt Service Fund to pay debt service on sales tax general obligation bonds.
3. Special assessments made against properties fund portions of the CIP.
4. Motor vehicle taxes collected by Sedgwick County on all motor vehicles not subject to property or ad valorem taxes are a CIP revenue source.
5. Interest earnings on the fund balance and current revenues contribute to CIP revenue.
6. Transfers from other funds such as the Tourism and Convention Fund for Expo Hall, Lawrence Dumont Stadium, and parking facilities, and from Tax Increment Financing Funds for economic development projects, are considered in revenue estimating.
7. Other proceeds considered when developing the CIP are from the sale of City owned property.

Other parts of CIP financing are budgeted as debt service in proprietary funds.

Project Review

The second phase of the developing the CIP involves the project request. Each project request is sent to major corporations, community organizations, District Advisory Boards, and other groups would be impacted. Any interested party may submit a project for consideration by City engineers and the CIP Administrative Committee.

The CIP Administrative Committee, through a series of meetings, develops the project plan for the term of the program. Projects are studied and are ranked according to criteria set forth by the Committee.

Projects proposed for the CIP are reviewed, evaluated, and recommended under the following guidelines:

1. General revenue-supported debt: Maintain a Capital Improvement Program within the debt limitations established by state law, and within a maximum local mill levy debt service established by the City Council.
2. Capital improvement projects must meet the established useful life criteria to be financed: **(a)** public buildings, 40 year general life, 10 year financing; **(b)** new road construction, 40 year general life, 10 year financing; **(c)** major road and bridge rehabilitation, 15 year general life, 10 year financing; **(d)** water, sanitary sewers, and drainage, 40 year general life, 20 year financing; **(e)** miscellaneous items, based on asset life, 10 year financing; and **(f)** local sales tax projects, 10 and 15 year financing with double barreled bonds.
3. Utility Revenue Bonds are utilized when necessary and feasible to finance Public Improvements using a 20-year amortization to minimize the impact of annual revenue requirements (sue fees).
4. Maintenance of the highway and street system to provide safe and effective vehicular access and efficient urban traffic flow emphasizing the following: **(a)** Expedite the plans (in cooperation with Sedgwick County) for constructing and financing US-54, maximizing state and federal funds supplemented by local sales tax; **(b)** Concentrate efforts on selected cross-town arterials and intersections to improve traffic movement, safety, and reduce congestion; **(c)** Include features in new projects which will reduce future maintenance requirements (i.e., delineation of crosswalks, low-maintenance medial treatment, etc.); **(d)** Complete railroad crossing improvements on arterials; and **(e)** Provide good streets and roadways to serve City facilities (i.e., Art Museum, Cowtown, Expo Hall, Airport, etc.).
5. Provide improvements in the downtown area.
6. Continuation of Neighborhood Improvement Program in conjunction with code enforcement.
7. Emphasize projects in problem areas without regard to the percentage of the total CIP funds available. Under no circumstances will all projects be selected from one area of the City.
8. Develop a balanced capital maintenance program for all types of City assets.
9. Include beautification and landscape improvements in projects, especially on arterials and highways, public facilities, etc.
10. Insure an adequate water supply for existing neighborhoods and for the planned growth and development of the City.

Hearings and Adoption of the CIP

Upon completion of the Administrative Committee's plan, the committee's recommendations are forwarded to the City Manager

and then to the City Council. Hearings are held before the Metropolitan Area Planning commission and the District Advisory Boards. Like the operating budget, the City Council hears public comments on the CIP prior to adoption. The City Council may shift, add, or delete projects in the proposed CIP.

Implementation

After the CIP is adopted by the City Council, departments use the CIP as a guide for implementing capital improvements. Initiation of each project must be authorized individually by the City Council through the adoption of an ordinance or resolution.

Budgeting for Ongoing Operating Costs of CIP Projects

As a general practice, the proposed 10-year CIP is developed and revised in a process that parallels development of the City's two-year budget. Departments provide estimated ongoing costs associated with CIP projects so all costs can be considered in the evaluation process. When a project is completed, the operating costs are included in the department's operating budget.